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TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA

JOINTLY PAID AND LINE  
OPERATION AND MAINTENANCE  
FUNDING AGREEMENTS AND  
INDEPENDENT SERVICES' REPORTS  
AS OF AND FOR THE YEAR ENDING  
JUNE 30, 1968

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, orally and other appropriate public officials. The report is available for public inspection at the State House or the Legislative Auditor's office, where appropriate, at the office of the parish clerk of court.

Release Date 6/23/68

TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA

JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

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# SWITZER, HOPKINS & MANGE

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Towns of Newellton and St. Joseph, Louisiana

We have audited the accompanying general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, jointly owned gas line operation and maintenance fund as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Towns' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance fund as of June 30, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with government auditing standards, we have also issued reports dated September 2, 1998, on our consideration of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance's internal control structure and on its compliance with laws and regulations.

Monroe, Louisiana  
September 2, 1998

*Switzer, Hopkins & Mange*

TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

BALANCE SHEET  
JUNE 30, 1980

ASSETS

Current assets:

Cash	\$ 64,810
Certificates of Deposit	63,243
Accounts Receivable, Trade (Note 2)	15,287
Interest receivable	284
Total assets	<u>143,524</u>

LIABILITIES AND TOWNS' EQUITY

Current liabilities:

Accounts payable	10,000
Customers' meter deposits	243
Total liabilities	<u>10,243</u>

Towns' equity:

Fund balances	<u>134,281</u>
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Total liabilities and towns' equity	<u>\$ 143,524</u>
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The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JEROME, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

STATEMENT OF INCOME  
FOR THE YEAR ENDED JUNE 30, 1998

Revenues:	
Sale of gas	<u>\$ 222,927</u>
Cost of gas sold	<u>202,927</u>
Gross income from operations	<u>20,000</u>
Operating expenses:	
Manager's fee	18,400
Repairs and maintenance	2,200
Legal and audit	700
Office supplies and postage	120
Leak survey	1,200
Drug testing	100
Other expenses	00
Total operating expenses	<u>18,620</u>
Net operating income	1,380
Other income:	
Interest income	<u>3,500</u>
Excess of revenues over expenses	19,960
Towns' equity at beginning of year (Revised - Note 5)	<u>84,190</u>
Towns' equity at end of year	<u>\$ 104,150</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1998

Cash flows from operating activities:	
Cash received from customers	\$ 100,001
Cash payments to suppliers for goods and services	(100,410)
Cash payments to manager for services not cash based by operating activities	<u>118,400</u>
	<u>(18,729)</u>
Cash flows from non-capital financing activities	-
Cash flows from capital and related financing activities:	-
Cash flows from investing activities:	
Investment income	<u>3,780</u>
Net increase in cash and cash equivalents	1,054
Cash and cash equivalents at July 1, 1997	<u>131,934</u>
Cash and cash equivalents at June 30, 1998	<u>\$ 132,988</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 14,843
Adjustments to reconcile operating income to net cash based by operating activities:	
Changes in assets and liabilities:	
(Increase) in accounts receivable	(3,828)
(Increase) in accounts payable	<u>(14,822)</u>
Net cash provided by operating activities	<u>\$ 14,723</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jointly Owned Gas Line Operation and Maintenance Fund was established in October of 1954 for the purpose of providing natural gas from the Lake St. John gas field to the towns of Newellton and St. Joseph, Louisiana. The transmission assets have been fully depreciated.

Basis of Accounting

The jointly owned gas line operation and maintenance fund uses the accrual basis of accounting.

NOTE 2 - ACCOUNTS RECEIVABLE

The trade accounts receivable at June 30, 1998 are summarized below:

Towns of Newellton and St. Joseph, Louisiana	\$ 14,709
Other customers	<u>1,884</u>
Total accounts receivable	<u>\$ 16,593</u>

NOTE 3 - ACCOUNTS PAYABLE

The accounts payable at June 30, 1998 are summarized below:

Parsonell Petroleum	<u>\$ 28,822</u>
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NOTE 4 - CASH AND CASH EQUIVALENTS

Under state law, the gas line may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 1998, the gas line had cash and cash equivalents according to the bank's balances totaling \$128,222 as follows:

Demand deposits	\$ 74,800
Time deposits	<u>53,422</u>
Total	<u>\$ 128,222</u>

TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1998

**NOTE 4 - CASH AND CASH EQUIVALENTS-CONTINUED**

Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the financial agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial agent. These securities are held in the name of the pledging financial agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 1998 are secured as follows:

Federal deposit insurance	<u>\$ 128,526</u>
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**NOTE 5 - RELATED PARTY TRANSACTIONS**

The Towns of Newellton and St. Joseph, Louisiana own the joint gas line and are the major purchaser of gas. Their respective amounts of gas purchased are as follows:

Newellton	\$ 148,100
St. Joseph	<u>124,237</u>
	<u>\$ 272,337</u>

The Towns of Newellton and St. Joseph are each billed at the same rates and these rates are the same as the other customers of the joint line.

**NOTE 6 - PRICE PERIOD ADJUSTMENT**

Previously recognized accounts payable relating to gas purchases were retroactively adjusted this year. This resulted in the following changes to the fund balances:

As previously reported, June 30, 1997	\$ 27,425
Adjusted accounts payable	<u>48,760</u>
As adjusted, June 30, 1997	<u>\$ 76,185</u>

# SWITZER, HOPKINS & MANGE

Certified Public Accountants

MEMBER OF DELLOITTE & TOLSON LLP  
AN EQUAL OPPORTUNITY AND  
DIVERSITY AFFIRMATIVE ACTION  
EMPLOYER AND PROVIDER

MEMBER SINCE 1988 OF THE AICPA

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly owned Gas Line Operation and Maintenance  
Towns of Newellton and St. Joseph, Louisiana

We have audited the general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly owned Gas Line Operation and Maintenance Fund, for the year ended June 30, 1998 and have issued our report thereon dated September 8, 1998. We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Towns of Newellton and St. Joseph, Louisiana, Jointly owned Gas Line Operation and Maintenance Fund's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Towns of Newellton and St. Joseph, Louisiana, Jointly owned Gas Line Operation and Maintenance Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Page Two

coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

We noted that the Towns do not have adequate segregations of duties in accounting in the office. We recommend that an attempt be made to strengthen internal control problems created by having few employees.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in accounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Monroe, Louisiana  
September 2, 1998

*Switzer, Hopkins & Arange*

TOWNS OF NEWELLTON & ST. JOSEPH  
JOINT OPERATIONS & MAINTENANCE GAS LINE  
POST OFFICE BOX 217  
ST. JOSEPH, LOUISIANA 71366

September 16, 1998

Switzer, Hopkins & Mingo  
Post Office Box 1518  
Perriday, LA 71364

Dear Mr. Hopkins:

In regard to the segregation of duties internal control problem discussed in our audit for the year ended June 30, 1998, there is nothing that we can do or plan to do about the problem. We have only one employee and do not plan to hire anyone else. There is no way to segregate duties when you have only one employee.

Please let us know if you need any additional information.

Sincerely,  
  
Robert J. Switzer